

FARMER BROTHERS CO
Form 10-Q
February 11, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR
15(d) OF**

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2007

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 0-1375

FARMER BROS. CO.

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(exact name of registrant as specified in its charter)

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Delaware

(State of Incorporation)

95-0725980

(I.R.S. Employer Identification No.)

20333 South Normandie Avenue

Torrance, California

(address of principal executive offices)

90502

(Zip Code)

Registrant's telephone number, including area code: (310) 787-5200

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Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated file o

Accelerated filer x

Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES o NO x

On February 1, 2008 the registrant had 16,075,080 shares outstanding of its common stock, par value \$1.00 per share, which is the registrant's only class of common stock.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FARMER BROS. CO.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)

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| | December 31, 2007 (Unaudited) | June 30, 2007 |
|---|-------------------------------------|---------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 9,870 | \$ 12,586 |
| Short term investments | 139,177 | 158,050 |
| Accounts and notes receivable, net | 20,711 | 17,651 |
| Inventories | 53,551 | 44,996 |
| Deferred income taxes | 2,462 | 2,462 |
| Prepaid expenses | 5,260 | 3,617 |
| Total current assets | \$ 231,031 | \$ 239,362 |
| Property, plant and equipment, net | 55,394 | 52,667 |
| Goodwill and other intangible assets | 15,420 | 16,959 |
| Pension and other non-current assets | 15,009 | 13,024 |
| Deferred income taxes | 20,612 | 15,597 |
| Total assets | \$ 337,466 | \$ 337,609 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 9,730 | \$ 8,702 |
| Accrued payroll expenses | 11,276 | 7,480 |
| Other | 6,013 | 10,914 |
| Total current liabilities | 27,019 | 27,096 |
| Accrued postretirement benefits | 46,120 | 44,297 |
| Total liabilities | 73,139 | 71,393 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock, \$1.00 par value, authorized 25,000,000 shares; 16,075,080 issued and outstanding | \$ 16,075 | \$ 16,075 |
| Additional paid-in capital | 30,595 | 30,823 |
| Retained earnings | 267,890 | 272,406 |
| Unearned ESOP shares | (41,385) | (44,240) |
| Less accumulated comprehensive loss | (8,848) | (8,848) |
| Total stockholders' equity | \$ 264,327 | \$ 266,216 |
| Total liabilities and stockholders' equity | \$ 337,466 | \$ 337,609 |

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except share and per share data)

(Unaudited)

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| | Three months ended December 31, | | Six months ended December 31, | |
|-------------------------------------|---------------------------------|-----------|-------------------------------|------------|
| | 2007 | 2006 | 2007 | 2006 |
| Net sales | \$ 71,359 | \$ 55,476 | \$ 132,302 | \$ 103,740 |
| Cost of goods sold | 32,062 | 22,995 | 59,158 | 43,176 |
| Gross profit | \$ 39,297 | \$ 32,481 | \$ 73,144 | \$ 60,564 |
| Selling expense | 30,606 | 26,131 | 59,081 | 50,795 |
| General and administrative expenses | 7,902 | 5,210 | 15,802 | 11,366 |
| Operating expenses | \$ 38,508 | \$ 31,341 | \$ 74,883 | \$ 62,161 |
| Income (loss) from operations | \$ 789 | \$ 1,140 | \$ (1,739) | \$ (1,597) |
| Other (expense) income | | | | |
| Dividend income | 1,050 | 986 | 2,077 | 1,942 |
| Interest income | 965 | 1,457 | 2,224 | 2,917 |
| Other, net (expense) income | (5,168) | 387 | (8,062) | 1,691 |
| Total other (expense) income | \$ (3,153) | \$ 2,830 | \$ (3,761) | \$ 6,550 |
| (Loss) income before taxes | (2,364) | 3,970 | (5,500) | 4,953 |
| Income tax (benefit) expense | (2,137) | 1,017 | (4,320) | 987 |